



Loan Repayment General Session



Agenda

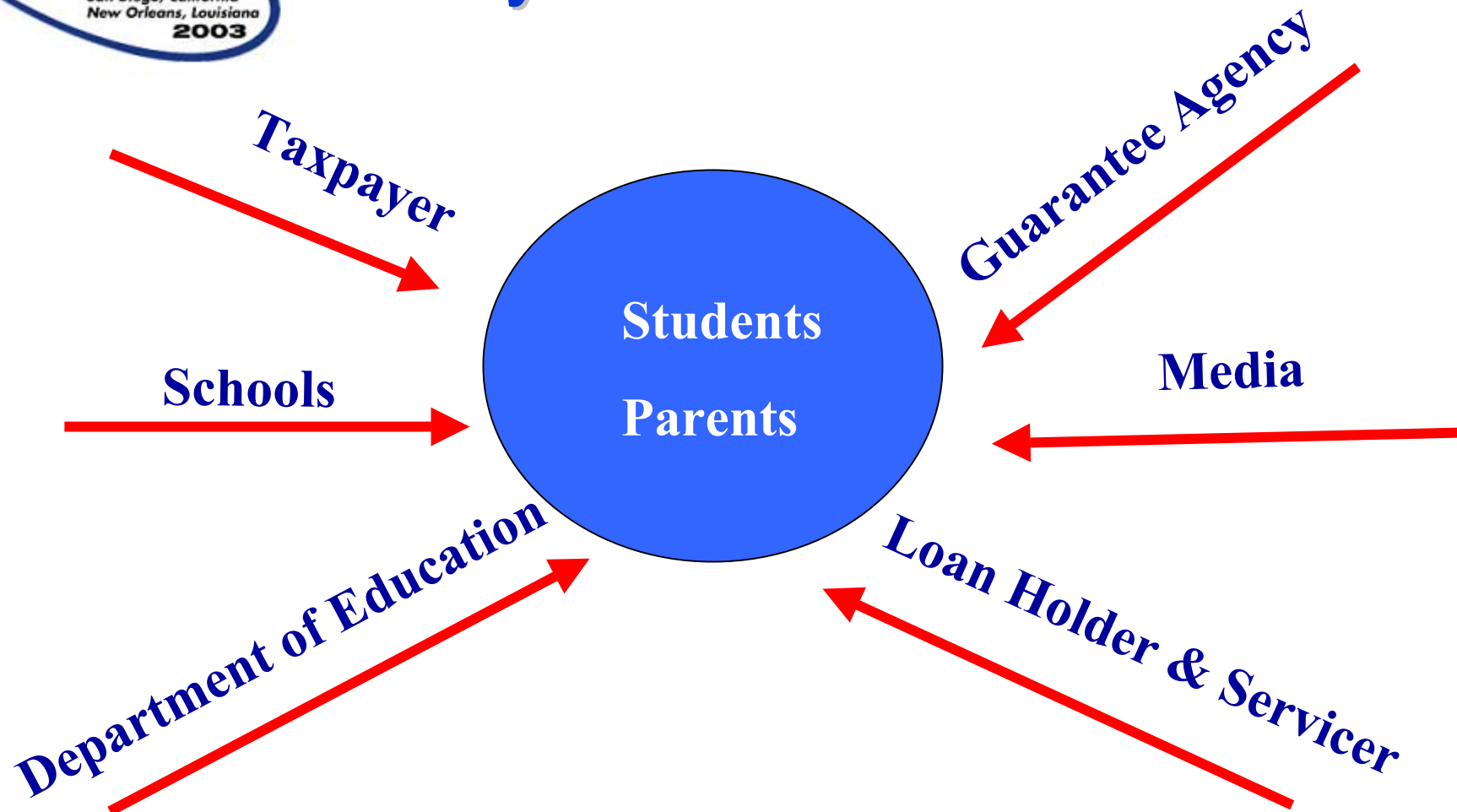
- Life Cycle of a Loan
- Delinquency Management
 - GA Perspective
 - School Perspective
- Default Management
- Summary



Life Cycle of a Loan

Kristie Hansen

Everyone Has a Role

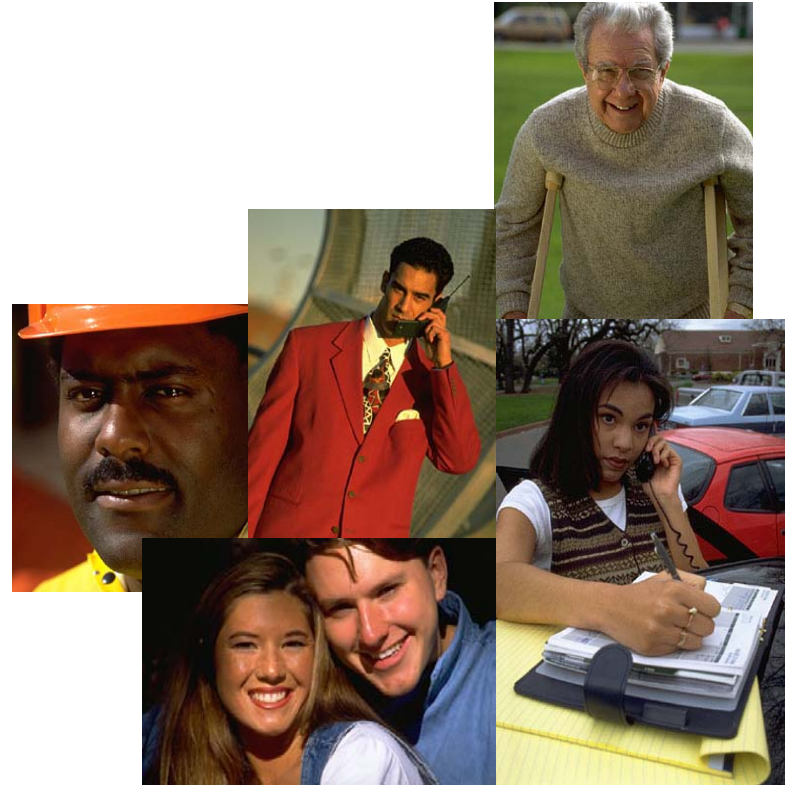


Title IV Loan Life

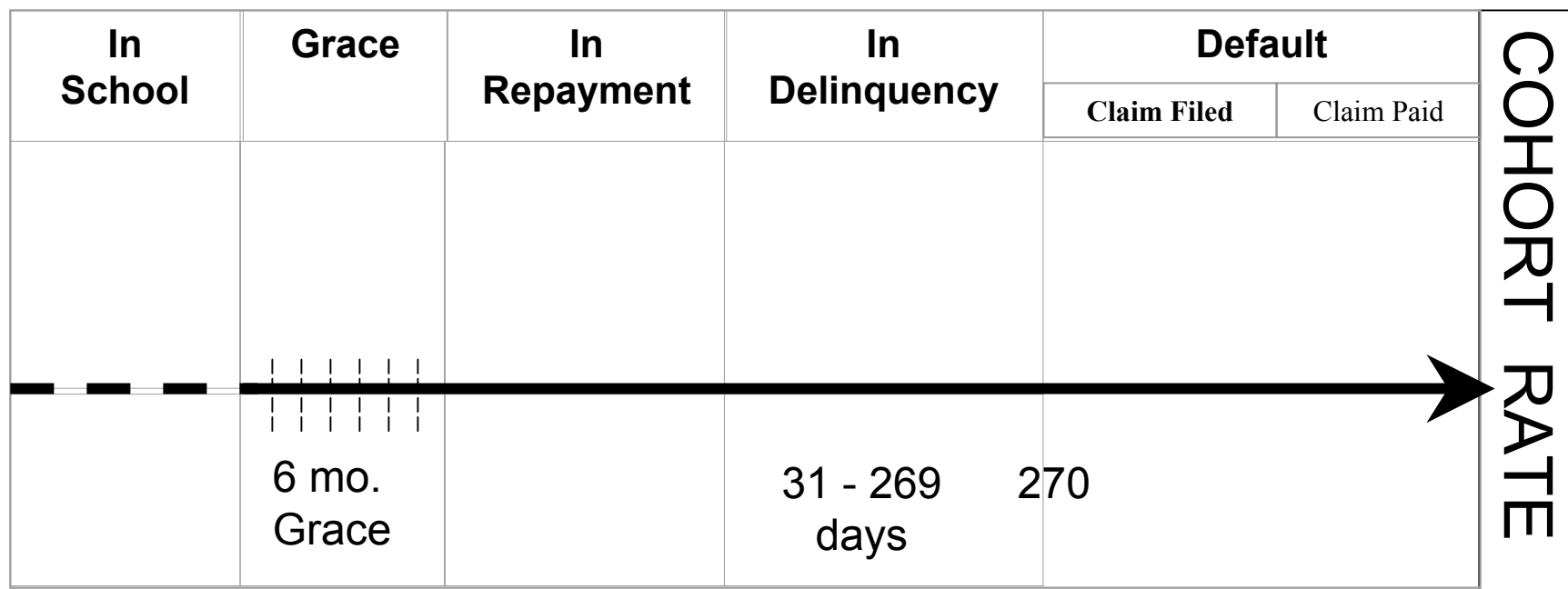
- In School – from origination and booking until graduation or drop below half time.
- In Grace – from end of school for 6 months
- Repayment – from point of leaving grace through successful repayment or discharge.
- Default – from 270 days of delinquency or until the loan is cured

Tools for Borrowers

- Entrance, Exit Counselors
- Repayment Plan Options
- Payment Due Date Flexibility
- Entitlements
 - Deferrals
 - Forbearances
 - Forgiveness
- Loan Consolidation
- Electronic Payments (ACH/EDA, Bill Pay Services)

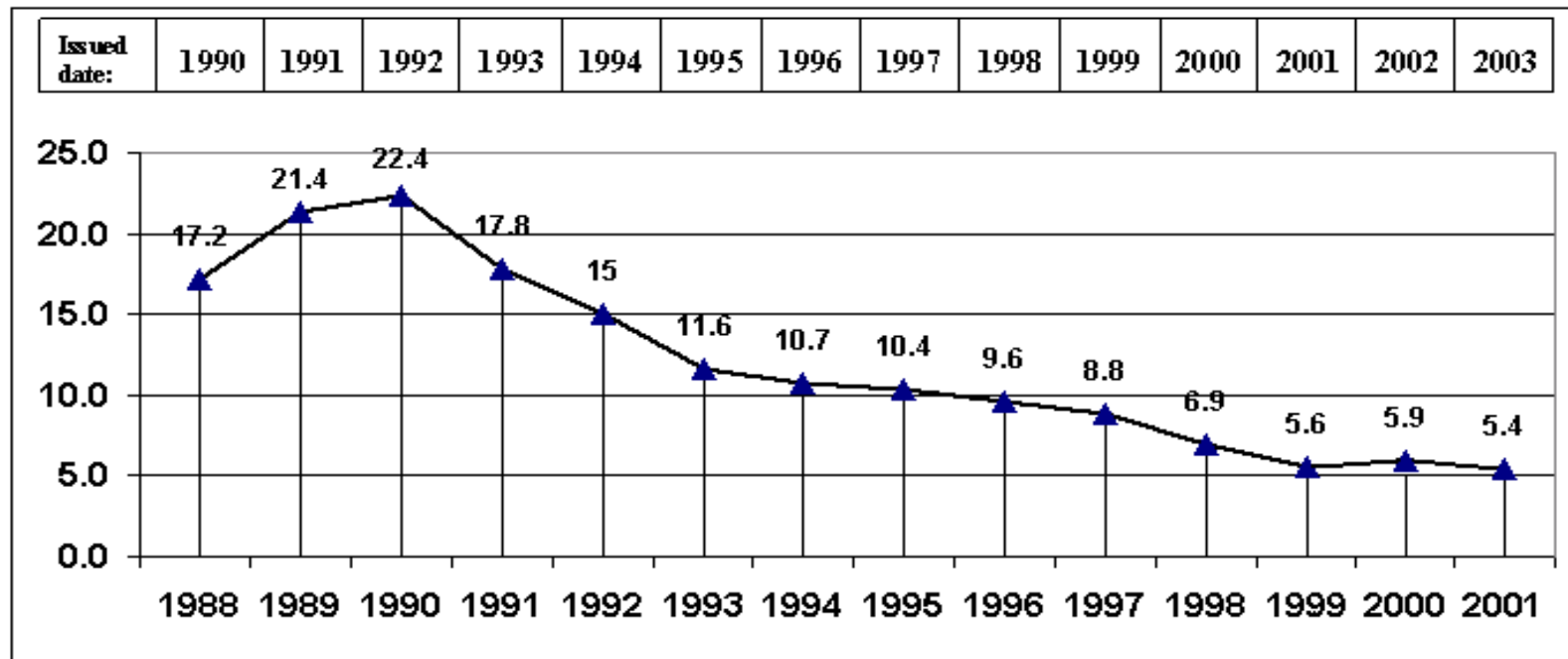


Loan Life Cycle



Cohort Default Rates

National Student Loan Default Rates





Common Characteristics of Delinquent and Defaulted Population

1. Have withdrawn from school and did not complete their studies
2. Do not get the benefit of their full 6 month grace period as the result of late enrollment notification
3. Have incorrect telephone numbers



Risk Management: Reducing Delinquency & Default

Tim Fitzgibbon, Iowa College
Student Aid Commission



Default Aversion

- Required by Regulation
- Pre-claims Assistance
- Supplemental Pre-claims Assistance
- Default Aversion



Student Loan Outfitters

- Referral service for “high-risk” borrowers
- Early awareness and delinquency prevention
- Available to all Iowa colleges and universities
- Interactive web site



Disaster Relief Grants

- Funds available to students and families affected by natural disasters – later expanded
- Matching funds from colleges and universities
- Recipients agree to limit borrowing
- 2,100 recipients – Grants average \$1,400



Foster Grants

- Funds available to students formerly in foster care
- Recipients agree to limit borrowing
- Support from colleges and universities, and Iowa Dept. of Human Services
- 60% completion rate
- \$3,000 average award



Default Reduction Grants

- Funds available to promote innovative default prevention programs at the campus level
- Competitive application process
- Tiered award levels
- Guest speakers, academic courses, community programs



Student Assistant Grants

- Funds provided to hire “peer advisors”
- SAs trained in financial aid, student loan, and debt management basics
- Increase awareness, communication on campuses
- Refer students to FAOs, ED, lenders, or the Commission



Agency Servicing Center

- Iowa-based default prevention call center
- Based on Commission theme of lowans-helping-lowans
- Expanding Iowa work force



Delinquency Management From a Schools Perspective

Jo-Ann Craig
Rutgers University



Rutgers, The State University of New Jersey

- Chartered in 1766; eighth-oldest college in the nation
- Located on three regional campuses in New Brunswick/Piscataway, Camden, Newark
- Enrolls a total of 51,480 students

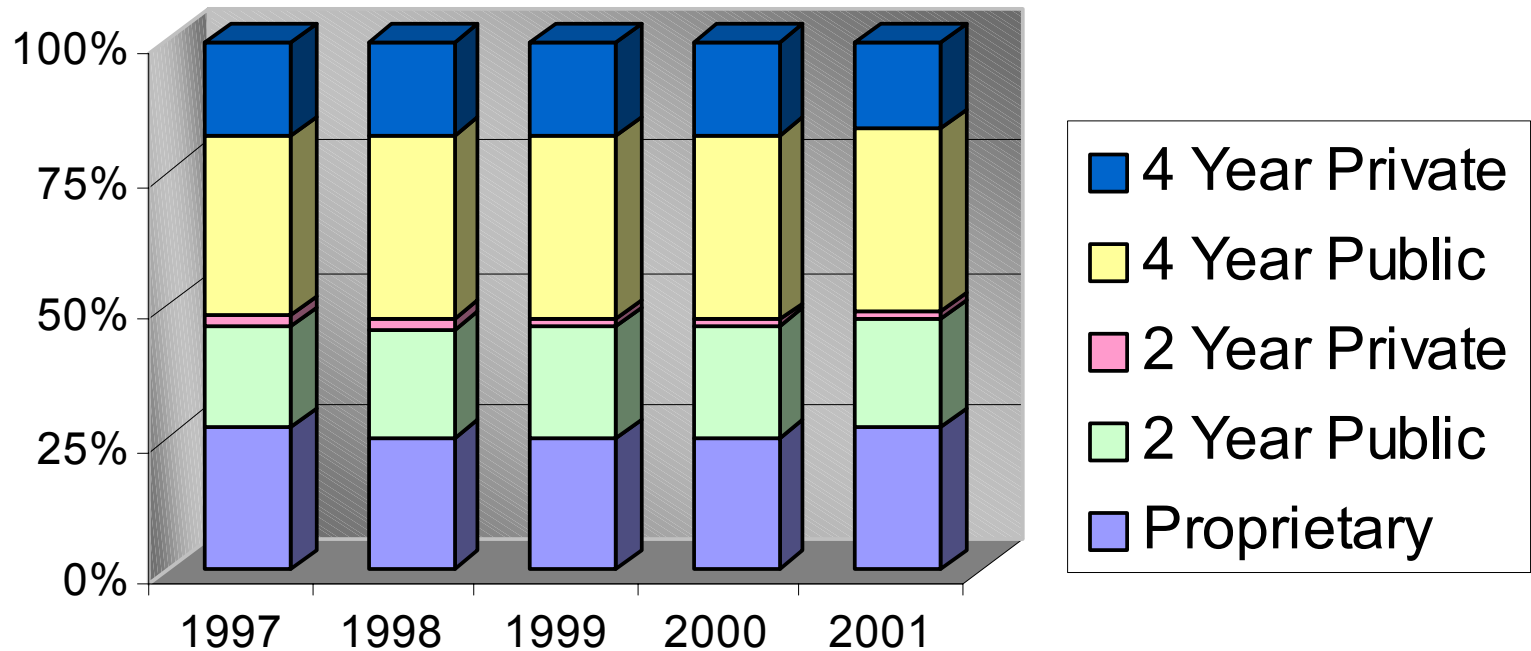


Rutgers, The State University of New Jersey

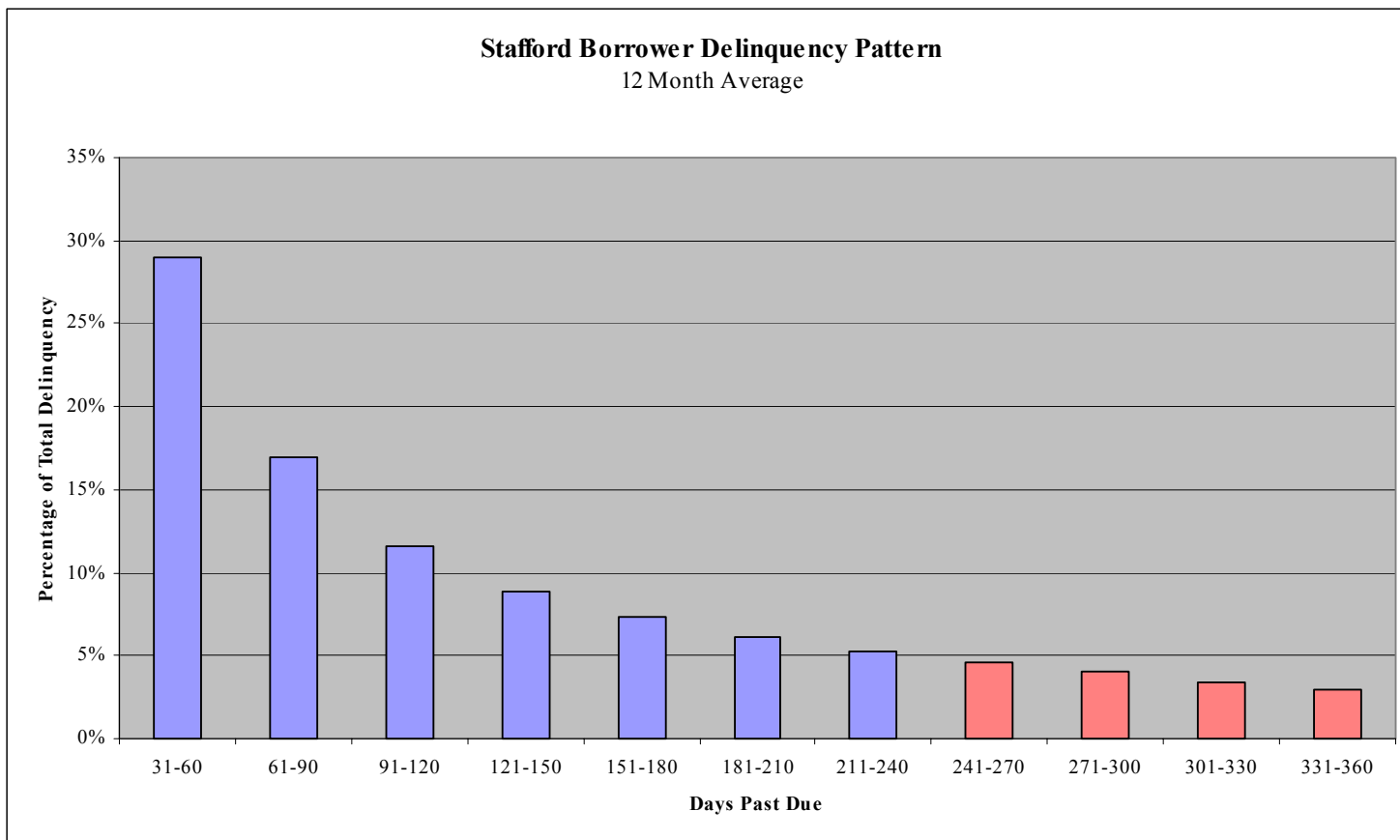
- 2002-03 Loan Volume
 - \$9.0 million Federal Perkins Loan Program
 - \$126.6 million Federal Direct Stafford Loan Program
- 2001 Official Cohort Default Rate of 3%

Makeup of Cohort Rate

Cohort Default Contribution by
School Type



Borrower Delinquency Pattern





Late Stage Delinquency Assistance (LSDA)

- CDR of 3% - So Why?
- Began in February 2003
- Our Strategy
- Our Results



QA Default Aversion Project

- 22 QA schools elected to participate; 9 will report
- Examine two default prevention strategies for Stafford AND Perkins
 - LSDA
 - Investigate Defaulters' Characteristics
 - Develop Profiles
 - Design Intervention



Default Prevention Listserv

- Host: Rutgers University
- Meeting place to discuss default prevention
- Entire Title IV community welcome



Default Prevention Listserv

To subscribe:

Send e-mail to:

listserv@email.rutgers.edu

In body of message enter command:

Subscribe default_prevention your name



ED-Collections Default Management

Gary Hopkins



U.S. Department of Education



FSA - Students Channel - Collections



Consequences of Default

- Eligibility for future Title IV Aid
- Entitlement opportunities
- Credit Rating
- Opportunity to buy a house
- To be a federal employee
- Wage Garnishment
- Treasury Offset
- Litigation
- Collection fees added to outstanding balance



Administrative Resolutions

- Death
- Total and permanent disability
- Bankruptcy prior to October 8, 1998



Discharges

- School Closure
- Unauthorized Signature
- Ability to benefit
- False certification

Paying A Defaulted Loan

- Payment in Full:
 - Borrowers can always pay their balance in full and many do as soon as circumstances allow or demand.
- Compromise:
 - On most accounts, ED or its collection agency will settle the account for an amount less than payment in full-sometimes with a single call



Paying A Defaulted Loan

- **Rehabilitation of Debt**
 - Making 12 consecutive on-time payments will remove the default status, eliminate the default from credit reporting and avoid any additional capitalization of interest during the rehabilitation process.
- **Consolidation**
 - Borrowers can consolidate their defaulted loan without first making payments, but borrowers are encouraged to first establish a pattern of satisfactory repayments.
 - Interest, and sometimes collection fees, are capitalized when the consolidation loan is made, so the new loan may accrue interest on a higher principal balance.



Paying A Defaulted Loan

- Grant Overpayments
 - The borrower can restore his/her eligibility for Title IV aid immediately by agreeing to make reasonable and affordable payments on the debt.



Referring Borrowers

Website: www.1800iwillpay.com

Phone Number: 800-621-3115

Email (general inquiries): dcshelp@pearson.com

Correspondence Address:

PO Box 4222

Iowa City, IA 52244-4222



In Summary...

1. Tools are available for your students through the life cycle
2. You can help your students understand what lies ahead in repayment on their loan
3. One of the most critical elements of successful repayment is communication



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